

## Supplemental Educational Services Provider Guidance for Determination of Financial Soundness

In order to be considered a supplemental service provider, all applicants must demonstrate financial soundness according to the following application criteria:

### If the applicant is a **Wisconsin Public School District**,

- The Wisconsin Department of Public Instruction (DPI) must have the most recent financial audit conducted on behalf of the school district by an independent Certified Public Accountant (CPA).

### If the applicant is an existing **For-Profit or Non-Profit Entity**,

- A complete Generally Accepted Accounting Principles (GAAP) financial audit report for the most recent full year must be conducted on behalf of the applicant by an independent CPA and **must be attached** to the application.
- An audit report must include the auditor's written report (opinion) that the financial statements (along with accompanying notes) are presented in accordance with GAAP. Providers required to file a single (Federal) audit must also submit all single audit reports to DPI. A going concern or other qualification must be clarified. **NOTE: A Financial Information Report (FIR) or merely a compilation of financial statements will not be accepted.**
- An independent CPA auditor's report will show the applicant has conformed to all local, state and federal laws without any current audit exceptions, and that the applicant is financially sound.

### If the applicant is a **Newly Formed Profit or Non-Profit Entity**,

- An engagement letter from an independent CPA **must be attached** to the application to specify that the entity is newly formed and that a financial GAAP audit report will be completed after one fiscal year of operation, whether or not services have been provided. The date the audit will be submitted must be provided in the letter. The letter must be signed by both the independent CPA and the provider. See the example of an engagement letter on next page.
- An audit must be submitted by March 1 for fiscal years ending December 31 OR by September 1 for fiscal years ending June 30.

**Applications that do not include the appropriate documents may be denied.**

If you have additional questions, please contact Elizabeth E. Kane,  
at [elizabeth.kane@dpi.state.wi.us](mailto:elizabeth.kane@dpi.state.wi.us) or (608) 266-2803

*NOTE: This example may be modified as appropriate*

# Firm Letterhead

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Date

Name of SES Provider  
Address of SES Provider  
City State, Zip of SES Provider

Salutation: \_\_\_\_\_

We are pleased to confirm our understanding of the GAAP audit services we are to provide (Name of SES Provider) for the fiscal year ended (Date). We will audit the statement of financial position of (SES Provider), a newly formed entity, and the related statements of activities, net assets, and cash flows for the year then ended. The audit will be submitted by \_\_\_\_\_.

(NOTE: An audit must be submitted to the Department of Public Instruction by March 1 for fiscal years ending December 31 OR by September 1 for fiscal years ending June 30.)

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principals. Our audit will be conducted in accordance with generally accepted auditing standards and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than qualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us. In addition, an audit is not designed to detect errors, fraud, or other illegal acts that are immaterial to the financial statements. However, we will inform you of any other illegal acts that come to our attention, unless clearly inconsequential. Our responsibility, as auditors, is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control to identify reportable conditions, that is, significant deficiencies in the design or operation of internal control. However, during the audit, if we become aware of such reportable conditions, we will communicate them to you. We understand that you are responsible for making all financial records and related information available to us and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This responsibility includes the establishment and maintenance of adequate records and effective internal controls over financial reporting, the selection and application of

accounting principles, and the safeguarding of assets. Management is also responsible for identifying and ensuring the organization complies with applicable laws and regulations. We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

We estimate our fees for these services, etc.

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Signature of Company Representative, CPA

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Signature of Service Provider

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Date